

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-017

UNITIL ENERGY SYSTEMS, INC.

Major Storm Cost Reserve Fund Report for 2022

Order on Report

O R D E R N O. 26,889

September 27, 2023

In this order the Commission approves the Unitil Energy Systems, Inc. Major Storm Cost Reserve Fund Report for 2022.

I. PROCEDURAL HISTORY

On February 28, 2023, Unitil Energy Systems, Inc. (UES) filed its annual Major Storm Cost Reserve Fund Report for calendar year 2022. The Company explained that the filing was made pursuant to the Company's rate plan settlement in Docket No. DE 10-055, as approved by Commission in Order 25,214 (April 26, 2011) and in Order 25,351 (April 24, 2012) (Docket No. DE 11-277) (Order requiring UES to file annual reports on the storm reserve fund and storm recovery updates). *See 2022 Report at 2.*

On March 27, 2023, the Commission issued a procedural order requesting the DOE provide a status update by April 18, 2023 to the Commission concerning the timeline for filing recommendations concerning UES's 2022 Report. On July 3, 2023, the Commission granted the DOE's motion, and directed the DOE to file responses to UES' 2022 Report by August 31, 2023. On August 31, 2023, DOE filed its technical statement and recommendation concerning the 2022 Report.

II. BACKGROUND

The Major Storm Cost Reserve (MSCR) is intended to provide for recovery of advance preparation and/or recovery costs of qualifying major storms. The

Commission approved an annual amount of \$800,000 to be included in base distribution rates for MSCR. *See* Docket No. DE 13-065 Order No. 25,502 (April 29, 2013). At the time of the first MSCR report covering 2010-2011, UES reported a negative fund balance of \$435,764. *See* UES 2011 MSCR report filed in Docket DE 10-055 on June 1, 2012.

UES's 2020 and 2021 MSCR fund reports were filed with the Commission on March 3, 2021 and February 28, 2022, respectively. *See* DE 21-033 & DE 22-008. At the time of reconciliation in 2020, the MSCR fund reported a negative balance of \$3,244,348. *See* Order 26,719 (November 3, 2022) at 3. The MSCR funds reconciled balance for 2021 was negative \$3,073,272. *See Id.*

In contrast to the MSCR, the Storm Recovery Adjustment Factor (SRAF) is intended to recover costs associated with infrequent storms of extraordinary magnitude on an individual basis. Individual storms that qualify for amortized recovery via the SRAF are the subject of specific Commission review and then, if approved by the Commission, UES may recover a storm specific amortization amount, recovery period, and rates. *See, e.g.,* Order No. 26,123 (April 30, 2018), and Order No. 26,236 (April 22, 2019) in Dockets No. DE 18-036, and DE 19-043, respectively (approving amortizations of costs related to specific storms of extraordinary magnitude). The annual report includes the MSCR and the SRAF fund balances as of 12/31/2022.

III. POSITIONS OF THE PARTIES

A. Unitil

In its 2022 Report, UES calculated the MSCR fund balance as a deficit of \$2,482,939 at year-end 2022. The MSCR deficit included the preparation costs associated with two major 2022 storms totaling \$85,009. The SRAF effective rate as of

May 1, 2022 was \$0.00000 per kWh. There are currently no storms being recovered through the SRAF. *See* 2022 report at 1. UES reported the SRAF reconciled balance of \$0 at year-end 2022. As is customary, there is no rate adjustment triggered by the 2022 Report. *See Id.* at 2.

B. Department of Energy

The 2022 Report contained costs from two major storms. DOE concluded that each event was appropriately categorized by UES as a major storm event and the amount of preparation costs was correctly calculated as \$85,009.

The DOE Audit reviewed the 2022 SRAF recovery and noted an earlier overcollection credit balance of \$72,411 was returned to the rate payers pursuant to the external delivery charge approved in DE 22-038. *See* Order No. 26,655 (July 28, 2022). The DOE audit report reviewed UES's MSCR fund reconciliation and general ledger accounts. *See* August 31, 2023 technical statement at 6 & 7. The DOE audit agreed with the negative \$2,482,939 ending balance for 2022, as filed by UES. *See id* at 15.

The DOE recommends that the Commission approve UES' 2022 Report which shows the MSCR balance as of December 31, 2022 as the under collected amount of \$2,482,939. The balance includes the \$85,009 for the 2022 storm preparations costs. Finally, the DOE recommends that the Commission acknowledge that UES has completed the authorized amortization of extraordinary storm costs through the SRAF and has returned the over collection to the ratepayers. *See* August 31, 2023 technical statement at 3.

IV. COMMISSION ANALYSIS

The Commission is authorized to fix rates after a hearing, upon determining that rates, fares, and charges are just and reasonable. RSA 378:7. In circumstances

where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994).

In this case the rates have been established by prior Commission decisions, MSCR rates were most recently set by Order No. 25,502 (April 29, 2013) (approving \$800,000 annually for the MSCR). SRAF rates were set by successive orders, Order No. 26,123 (April 30, 2018); and Order No. 26,236 (April 22, 2019) (approving amortizations of costs related to specific storms of extraordinary magnitude). As a result, we review the annual MSCR and SRAF reports and the DOE audit and recommendation, to confirm that the resulting rates and fund balances have been correctly calculated according to the standards the Commission has established for recovery of these storm costs.

We find that the 2022 Report for the MSCR and the SRAF are correctly calculated and that the rates and balances stated in each report are correct. We have already found these rate calculations result in just and reasonable rates and we therefore approve the 2022 Report. We note that the deficit reported in the MSCR fund was reduced by \$590,333 (\$800,000 minus storm cost of \$85,009 and carrying costs of \$124,658). *See* 2022 MSCR Report at 3. We encourage the company to find additional ways to reduce the deficit in the MSCR fund. Substantial carrying costs do not support additional major storm cost recovery and are not an efficient use of ratepayer funds.

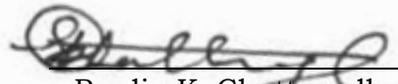
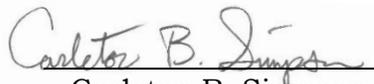
Based upon the foregoing, it is hereby

ORDERED, that the 2022 Report for the MSCR and the SRAF is APPROVED;

and it is

FURTHER ORDERED, that the ongoing rate of \$0.00000 per kWh is approved for the SRAF.

By order of the Public Utilities Commission of New Hampshire this twenty seventh day of September, 2023.

 _____ Daniel C. Goldner Chairman	 _____ Pradip K. Chattopadhyay Commissioner	 _____ Carleton B. Simpson Commissioner
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Service List - Docket Related

Docket#: 23-017

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